



Indonesia: Medical Equipment and Supplies

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Summary

With over 237 million people and steady economic growth, Indonesia presents excellent opportunities for U.S. companies. Increases in public awareness in healthcare and social conditions and the expansion of public and private hospitals have led to increased demand for more sophisticated and modern medical equipment and supplies. Total imports of medical equipment grew from \$508 million in 2009 to \$543 million in 2010, with U.S. imports accounting for 20 percent of this market. Continued strong growth for this market is predicted over the next two years. U.S. manufacturers of medical devices should take advantage of this growing market.

Market Demand

Indonesia is the third fastest growing economy in Asia and the largest economy in Southeast Asia. It is the fourth most populous country with over 237 million people. Given the large population, Indonesia is one of the largest markets for healthcare. There is a continuing need for high quality and innovative medical products. Business sources predict that the medical equipment market will continue to grow by about 10 to 15 percent for the next couple years.

Several factors attributed to the current increase in demand for this sector are:

- Indonesia's economy grew from 4.5 percent in 2009 to 6.1 percent in 2010. It is predicted that Indonesia's economic growth may reach 8% in 2011. Improvements in Indonesia's per capita income and social conditions have led to increased demand for more sophisticated and modern medical and health facilities.
- Indonesia is still largely dependent on imports and this situation creates significant opportunities for U.S. products.
- The Indonesian population of over 237 million is growing annually at a rate of 1.136%. Of the total population about 15 percent demand and can afford to access international healthcare products and services. This percentage is expected to grow in the foreseeable future.
- While the birth rate has been increasing, life expectancy for both men and women has also been steadily rising due to improved health care standards.
- The changing disease patterns reflect those of the industrialized countries; heart diseases, cancer and diseases of the circulatory systems are on the rise. These ailments, combined with population growth and aging create further demand for more sophisticated and expensive medical equipment.
- In a bid to stem the flow of patients seeking medical treatment abroad and to stay competitive, both government and private sector hospitals continue to upgrade their facilities. The government will make available and enhance the quality of internationally accredited hospitals in at least five large cities in Indonesia with the target of three cities in 2012 and five cities in 2014; this will spur the growth of the

medical equipment market in general. Meanwhile, many public hospitals are participating in ISO programs that improve service quality and generally require the use of more sophisticated equipment.

- Healthcare is a priority in the national development agenda. As part of a plan to attain the Millennium Development Goals (MDG) in 2015, the government plans to improve the quality of basic health care of its people and raise the standards of medical workers. The program on public health includes the improvement of the quality of basic health care, implementation of preventative health, provision of basic immunization, HIV/AIDS control, improving maternal care and family planning.
- Healthcare providers show a growing interest in high technology equipment to improve the delivery and quality of their services. The government is encouraging more private sector involvement. On November 2010, a major hospital chain in Jakarta, Siloam Hospital Group acquired two hospitals in Jambi, South Sumatera and Balikpapan, East Kalimantan, with an investment of \$18 million and \$26 million respectively. On January 2011, the group announced the ground breaking of its \$26 million hospital in Makassar, South Sulawesi. This hospital will serve as the hub of referral hospital to support other eastern provinces in Indonesia. In another private sector, the Ciputra Group, has established a \$12 million project in Jakarta. The hospital will have 126 beds. Both hospitals are scheduled to operate end of 2011.
- Decentralization has empowered regional governments to manage and finance district and provincial health care facilities. They will continue to build and upgrade healthcare facilities, including hospitals, health centers, mobile hospitals for remote areas, laboratories and quarantine facilities to offer basic and specialty health care services. In response to epidemics, newly emerging communicable diseases and other diseases, the government continues to improve health facilities and services for basic medical care, emergency care, ICU, and ICCU.
- In 2011, the Government of Indonesia has allocated a total of \$2.6 billion for healthcare development, an increase of 23 percent over 2010. Over 20% of this amount is designated for medical equipment. In addition, the Ministry of Health (MOH) will disburse over \$80 million for the procurement and development of hospitals and upgrades of existing hospitals and health care centers (Puskesmas) in the 33 provinces.
- Indonesia is prone to natural disasters such as earthquakes, seaquakes, volcano eruptions, as well as human-caused disasters. These disasters could require major reconstruction of medical infrastructure, thus creating demand for medical devices.

Market Data

The total market for medical equipment and supplies was estimated at \$573 million in 2010. Imported products accounted for over 90 percent of all medical equipment and supplies sold in Indonesia. Total imports of medical equipment and supplies were estimated at \$543 million in 2010, an increase of 7 percent from 2009 level of \$508 million.

It should be noted that accurate, consistent figures regarding all imports are hard to come by. Statistical discrepancies can be explained by problems such as the lack of transparency in customs practices, inconsistent data and recording methods, and problems in gathering statistics on specific imports.

Best Sales Prospects

Based on interviews with medical equipment suppliers, the best sales prospects for U.S. suppliers are: diagnostics and laboratory reagents, electro diagnostic equipment and x-ray units, rapid tests for HIV, TB, and other infectious diseases, and life support medical equipment such ventilators, anesthesia equipment, and patient monitoring equipment.

Key Suppliers

Domestic production of medical equipment in Indonesia accounts for less than 10% of the total market. Among the equipment produced locally are hospital beds, disposable supplies, and wheelchairs. Sophisticated hospital devices and accessories will continue to be imported in the next five years.

Among the major players in medical equipment supplies competing with the U.S. are third country producers from Japan, Germany, China and France, other European countries. Germany and Japan hold firm positions in the market. Chinese products are geared more towards low-end supplies and price sensitive buyers.

U.S. medical equipment and supplies held an import market share of \$108 million in 2010 representing approximately 20 percent of the total import market. Although currently the market leader, U.S. companies need to be more aggressive in strengthening their market presence in Indonesia. Major competitors for this market are from Europe, China and Japan. They are very active in the Indonesian market, giving very prompt responses to inquiries and providing good customer service.

The U.S. appears able to retain its competitive position for the next two years. U.S. products have earned an excellent reputation among both public and private buyers. Users view the U.S. as the most advanced country with the latest technology.

Among the U.S. exporters of medical equipment are Johnson & Johnson, General Electric, Becton Dickinson, Beckman Coulter, Varian, Delmar, Welch Allyn, Natus Medical, Sunnex, Summit Doppler, and Hillrom.

Prospective Buyers

Indonesia is the largest archipelago country in the world. It consists of over 17,000 islands, of which about 6,000 are inhabited. The national health system includes an extensive network of health services comprising 1,520 hospitals, 8,737 health centers (puskesmas), over 800 private laboratories and 26 laboratories managed by the government. The systems provide health services to more than 237 million people spread over the 33 provinces of Indonesia. They are the major end-users of medical equipment and supplies in Indonesia.

Private hospitals are run by private and religious foundations. Private hospitals have larger budgets for purchasing medical equipment as they offer more responsive services and charge higher fees.

End-users actively learn about new products by attending trade shows and conferences. Medical equipment importers, agents and distributors state that they become better informed about new technologies and develop useful contacts at trade shows.

Market Entry

U.S. companies must appoint Indonesian agents/distributors to market medical equipment and supplies in Indonesia. Local agents or distributors play an important role in developing the market and providing after-sales services. Good agents/distributors are instrumental in obtaining both public and private sales leads.

The market for medical instruments is highly competitive. The pricing, although often decisive, is not the only factor in this competitive market. Other factors include high quality and reliability of the products, after sales services, effective promotional efforts, being able to put together comprehensive and competitive bidding packages, recruiting a strong agent with an extensive distributional network and good

contacts. These are some of the vital factors to keep in mind, in order to become a successful player in the Indonesian medical equipment market.

To gain a market share, U.S. companies should consider the following strategies. U.S. companies need to develop more flexible marketing approaches. Lack of financing is a key reason why U.S. companies have limited success when selling to the government. According to distributors, inflexibility in terms of sales, payment schedules, and length of contract also act as a hurdle to building strong business relations and market presence. It is important to offer good credit terms, as Japan and other European countries offer soft loans to Indonesia. Indonesian buyers will actively seek preferential financing terms from their suppliers. Because of the enormous market potential, American companies should aggressively pursue the Indonesian market and should strive to introduce new products to the market ahead of their competitors.

Market Issues & Obstacles

There are no restrictions on imports of medical equipment; however, imports of used equipment are prohibited. Medical equipment is subject to 0 - 5 percent import tax and valued added tax of 10 percent. The Ministry of Health controls the registration of medical equipment and supplies in Indonesia. Mandatory registration of medical equipment must be conducted by local agents or distributors. In general, products that are FDA-approved and sold in the U.S. will be approved to enter the market in Indonesia. The process to obtain the license may take over 6 months. Imported medical equipment and supplies must be registered with the Ministry of Health before clearance through Customs.

Medical equipment importers must submit a registration application to the Ministry of Health which includes all of the following documents that the US company should supply:

- Letter of Sole Distributorship/Agency Agreement, legalized by notary public
- Letter of Authorization, legalized by the Indonesian Embassy and notary public. The letter states that the Indonesian company (name of company) is the sole distributor or sole agent of the U.S. company (name of U.S. company) in Indonesia, and it is authorized to sell its products in Indonesia
- Letter of Authorization addressed to Directorate General of Pharmacy and Medical Devices Services, Ministry of Health (MOH), legalized by a notary public. The letter gives authorization to the Indonesian company to register products at MOH.
- Certificate of Free Sales from the local authority
- Certificate of Analysis issued by the manufacturer
- Certificate of CE for 'CE' mark products or Certificate of ISO for 'ISO' mark products, if any
- Finished product specifications
- Manual Book (instruction for use), which will be translated into the Indonesian language

Trade Events

Name: Indonesia International Medical and Hospital Equipments Expo

Name: Hospital Expo

Date: October 19-22, 2011

Location: Jakarta, Indonesia

Contact: PT Okta Sejahtera Insani

Email: hospex@cbn.net.id

Website: <http://www.hospital-expo.com/>

Resources and Key Contacts

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Trade Association

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For More Information

The U.S. Commercial Service in Jakarta, Indonesia can be contacted via e-mail at: Sharon.Chandra@trade.gov;
Phone: (62-21) 526-2850; Fax: (62-21) 526-2855; or visit our website: www.buyusa.gov/indonesia/en.

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